Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Ashoka India Equity (AIE). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

In a league of its own

AIE remains a strong offering for exposure to the exciting Indian market.

Update
25 November 2025

Aside from a septet of apparently magnificent mega-cap American technology stocks, India has undoubtedly been one of the stock market success stories of recent years. The MSCI India IMI Index had delivered returns of c. 153% in the five years to 31/10/2025 in local currency terms, well ahead of the MSCI USA Index's c. 122% and the MSCI World ex USA Index's c. 102% gains.

Yet, recently India's market surge has faltered, with the small and mid-cap (SMID) part of the market seeing the biggest swings. The MSCI India IMI, MSCI India Mid Cap and MSCI India Small Cap Indices have lagged most other markets in the 12 months to 31/10/2025, returning 4.8%, 3.5% and -0.1% respectively, versus a c. 21.4% gain for the MSCI World Index. When denominated into both sterling and US dollars, the total return of India's bourses turns negative.

Indian markets have bounced since their initial falls but remain a few percentage points below their most recent record highs, unlike most other global markets that are currently at record highs.

A confluence of events led to the pullbacks we've seen in Indian equities since last December. The biggest of these has been the varying levels of tariffs put on trading partners by the US. The US administration has placed a 25% tariff on India, in addition to a further 25% penalty linked to India's energy trade with Russia. The hope is that this is an opening salvo in negotiations, resulting in levies that are more in line with the rest of the major economies, at between 15% to 25%.

That said, India's exports to the US during the 2025 financial year came in at $87bn, just 2% of India's GDP. WhiteOak Capital Management, the investment advisor for **Ashoka India Equity (AIE)**, estimates that less than 2% of the revenues generated by constituents of the MSCI India IMI Index is subject to tariff risk.

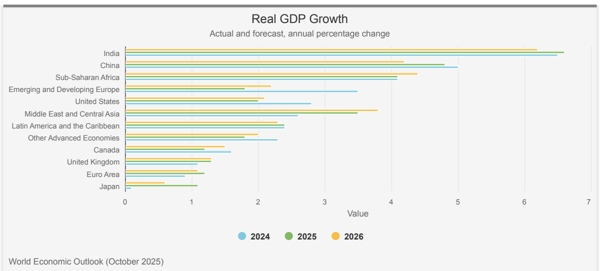
India itself remains an economy largely driven by domestic factors, with private consumption accounting for almost two-thirds of India's GDP. It also has an attractive demographic profile, a highly entrepreneurial mindset, a continually urbanising and growing middle class, and the institutional infrastructure of a mature democracy with relatively strong property rights.

Going for growth

India is almost in a league of its own when it comes to economic growth. India has experienced a cyclical slowdown over the past year, but recent high-frequency indicators suggest that the deceleration may already be bottoming out. Indeed, real GDP growth accelerated to 7.8% year-on-year in the three months to June 2025, rebounding from 7.4% in Q1.

The International Monetary Fund (IMF)'s World Economic Outlook recently projected India to see real GDP growth of 6.6% in 2025 and 6.2% in 2026, the highest of all nations and regions mentioned in its forecast tables.

Fig.1: A Positive Backdrop



Source: International Monetary Fund

Of course, GDP growth does not necessarily equal stock market growth, but it certainly provides a positive backdrop. On that note, it's worth pointing out that Indian companies have fundamentally performed well, too.

Analysts:

David Brenchley
david.b@keplerpartners.com

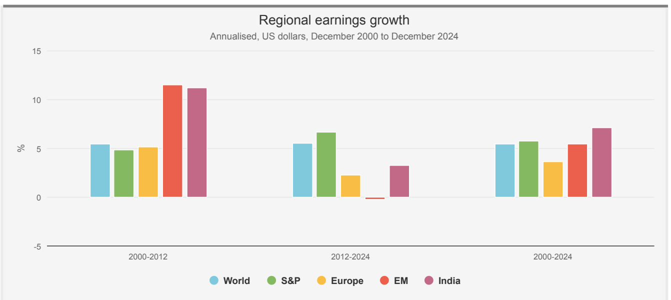
Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

The earnings of Indian companies grew 7.1% per year between December 2000 and December 2024, according to FactSet, outpacing other major regions including the US, where S&P 500 earnings grew by an annualised 5.7%.

Admittedly, this period was very much a 'game of two halves', with India's earnings growth annualising at 11.2% between 2000 and 2012, before falling to an annualised 3.2% between 2012 and 2024. That said, it was still well above Europe's 2.2% per year during the latter period.

Fig.2: Strong Earnings Growth



Source: FactSet, WhiteOak Capital Management

The recent pullback in Indian equities is par for the course, in our view. Investing in equities is a proven wealth-builder, but one must have the stomach for volatility along the way. That's especially true when investing in countries with developing stock markets.

While India's impressive earnings growth has more than justified its strong stock market performance, valuations had perhaps gotten ahead of themselves and were due for what we see as a healthy correction.

On a year forward basis, the price-to-earnings (P/E) multiple of the BSE Sensex Index is 21.1x, which is broadly in-line with the last 10 years' average of 20.7x. The relative P/E premium versus broader EMs had expanded to nearly 90%, keeping several investors on the sidelines. However, following recent underperformance, relative to other major EM peers, the premium has moderated to around 50%, in line with its long-term average.

One key point is that there remain huge inefficiencies within the Indian stock market, presenting the potential for attractive alpha creation that arguably just isn't there for many other major markets.

Differentiation

The outlook for genuine active management, therefore, looks set fair and AIE remains one of the strongest offerings, not only within the India/Indian Subcontinent sector itself but within all emerging market trusts, in our view.

AIE has a plethora of stand-out features that differentiates it from peers, not least its bottom-up, stock selection focus that capitalises on the lower level of research in the Indian market, particularly amongst small- and mid-cap stocks, due to their highly resourced and specialist analyst team.

Mumbai-headquartered WhiteOak has a team of over 30 analysts focused on Indian equities, over 25 of whom are based in India, meaning AIE's team is vast and on the ground, which we think is an advantage in generating alpha compared to teams based in the UK.

This has formed the basis of AIE's excellent performance that has captured all of the growth potential of the Indian market and delivered more on top. AIE has delivered an annualised net asset value total return of 15% from its IPO on 06/07/2018 to 31/08/2025, well outpacing the MSCI India IMI's 9.7% per year return.

AIE's charging structure, meanwhile, is designed to align the interests of the managers with the shareholders. WhiteOak does not charge AIE a traditional management fee, instead having in place a performance fee, meaning the managers only accrue charges should the trust outperform its benchmark.

The performance fee for the three years ending June 2024 was reinvested in c. 807k shares of the trust, with at least 50% to be held for at least three years and the managers have elected for the fee for the current three-year period to be paid as shares in the company also. This demonstrates their commitment to the trust's future and further aligning long-term interests, in our view. Management holds over £10m in shares.

Overall, we think that the tailwinds that drove the recent bull market in Indian equities still stand and are excited by the region's future, with AIE standing in pole position to benefit from this.

There will be bumps along the way, as we've seen this year, but for adventurous, long-term investors the recent pullback in Indian equities – and any others we see moving forward – could be seen as buying opportunities.

View the latest research note here

Click here to add AIE to your watchlist

Click here to read related research

Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street , London W1S 2GF with registered number OC334771.